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*GUATEMALA: The assassination of a leftist political activist in Guatemala City on Monday by gunmen believed to be sponsored by the government will increase tensions in the country.

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The murder is likely to provoke action by students, who have been denied permission by the government to hold protest rallies in the capital. A high-level government official has told the US Embassy that agitators intend to arm students with pistols and Molotov cocktails. He said the students will seek confrontations with police, rather than try to avoid violence as had been the case recently.

Meanwhile, the congressional commission set up to recount the vote announced its findings on March 11, one day after nine opposition members of the commission resigned in protest over the anticipated result. To the surprise of no one, the commission ruled the government's candidate, General Laugerud, the winner. Yesterday the congress completed the formalities by choosing Laugerud over General Efraim Rios Montt.

The "defeated" candidate reportedly is undecided how to press his charge that the government rigged the election. Rios apparently still favors a nonviolent approach, but he may not have as much influence on how any hostility to the government may manifest itself. Although Rios has some sympathizers in the lower echelons of the army, a coup on his behalf seems unlikely.

President Arana is determined to turn the presidency over to Laugerud on July 1. Arana apparently will allow the military to assume control of the government only if public order deteriorates.

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*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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*ARGENTINA: President Peron's appointment of a rightist as governor of Cordoba Province is certain to provoke strong protests from leftists within Peron's movement. The selection could lead to major defections from the movement and renewed violence.

The new governor, Duilio Brunello, comes from the Ministry of Social Welfare, where he was closely associated with Lopez Rega, a confidant of Peron and an archenemy of the left. Brunello reportedly has said that he plans to replace police chief Navarro, who overthrew the provincial governor two weeks ago. Even if he does, this is not likely to placate the left.

A Peronist since 1945, Brunello has little administrative experience and his leadership ability is untested. He will probably have trouble restoring order in Cordoba. [REDACTED]

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LAOS-CAMBODIA: Prince Sihanouk arrived on March 11 at the Lao Communist headquarters in Sam Neua, where he was greeted by Pathet Lao leader Souphanouvong.

This is Sihanouk's first visit to Sam Neua.

[redacted] Sihanouk and his hosts will undoubtedly review the overall situation in Indochina, with particular attention to developments in Cambodia and Laos.

There is no indication how long Sihanouk will remain in Laos. [redacted]

JAPAN: The government's five-year military build-up plan almost certainly cannot be achieved because of inflationary pressures and budget cuts in defense spending earlier this year.

The 1973 fiscal year ends this month, and many of the defense-related industries are refusing to conclude military contracts for armaments on the basis of current budgeted prices. The contract problems are affecting all the services, but the navy is hardest hit because the cost of ship construction has risen an estimated 50 to 90 percent. Contracts have not been let on ten ships earmarked for construction in fiscal 1973.

The proposed fiscal 1974 defense budget, already scaled down, has been sent to the Diet, and any purchases not made this month may have to await the fiscal 1975 budget or a supplementary appropriation. Much of the equipment scheduled for procurement under the Fourth Defense Plan, which runs until 1977, clearly will not even be contracted for by that date. [redacted]

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TURKEY: Turkey will start planting opium poppies on state experimental farms this month. The Turks say that their poppy-seed stocks are steadily losing germinating power and that a spring planting is needed to provide adequate stocks for a normal fall planting.

Prime Minister Ecevit sent word to the US ambassador that this does not mean that Turkish farmers are being allowed to grow poppies again. Nevertheless, the ambassador believes Ankara is moving toward a decision to authorize a limited resumption of poppy growing under careful surveillance. The ban on poppy farming has been in effect since 1972. Its lifting was advocated during the recent election campaign by the two parties that now form Turkey's governing coalition. Recently, former prime minister Demirel, the leader of the opposition Justice Party, also came out in favor of ending the ban.

Turkey's ambassador to the US, who is in Ankara for consultations on the issue, told a US Embassy officer he was convinced the move was not an attempt to gain increased US compensation for poppy farmers. He did say his government hoped the US would help finance a control mechanism that would prevent diversion of the crop into illicit drug channels. [REDACTED]

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USSR: The Soviets have added a Kanin-class guided-missile destroyer to their Pacific Ocean Fleet for the first time.

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Conversion of the Krupnyy to a Kanin--principally a weapons improvement--includes installation of a surface-to-air missile launcher and improved antisubmarine-warfare capabilities. The Pacific Ocean Fleet has some 55 major surface combatants.

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